

TOWNSHIP OF GARFIELD
Bay County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2007

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Garfield	County Bay
Audit Date March 31, 2007	Opinion Date April 26, 2007	Date Accountant Report Submitted to State: June 7, 2007	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF GARFIELD
Bay County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

April 26, 2007

To the Township Board
Township of Garfield
Bay County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Garfield, Bay County, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Garfield's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Garfield, Bay County, Michigan as of March 31, 2007, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF GARFIELD
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

The Management's Discussion and Analysis report of the Township of Garfield covers the Township's financial performance during the year ended March 31, 2007.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Overall total capital assets remained approximately the same.

Overall revenues were \$380,806.53 from governmental activities with a \$108,410.40 increase in net assets.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of the basic financial statements and required supplementary information.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole. The statement of net assets includes all the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

All of the activities of the Township are reported as governmental activities. These include the General Fund, the Fire Fund, the Trash Fund, the Hall Fund and the Liquor Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in governmental activities remain stable.

Our long-term debt principal totals \$356,982.98; \$80,966.64 for a fire truck, \$149,958.61 for the new Township Hall and \$126,057.73 for road work.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant is debt service which incurred expenses of \$57,025.53.

TOWNSHIP OF GARFIELD
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities paid \$47,618.70 for capital assets.

The Township's governmental activities paid \$77,371.10 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our taxpayers and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report, please contact the Township Supervisor at 1138 West Erickson Road, Linwood, Michigan 48634, or call (989) 879-2552, ext. 222.

TOWNSHIP OF GARFIELD
Bay County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	280 255 90
Taxes receivable	<u>22 377 18</u>
Total Current Assets	<u>302 633 08</u>
NONCURRENT ASSETS:	
Capital Assets	833 672 70
Less: Accumulated Depreciation	<u>(151 944 60)</u>
Net Capital assets	<u>681 728 10</u>
TOTAL ASSETS	<u>984 361 18</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>18 066 41</u>
Total Current Liabilities	<u>18 066 41</u>
NONCURRENT LIABILITIES:	
Notes payable	230 925 25
Contracts payable	<u>126 057 73</u>
Total Noncurrent Liabilities	<u>356 982 98</u>
Total Liabilities	<u>375 049 39</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	324 745 12
Unrestricted	<u>284 566 67</u>
Total Net Assets	<u>609 311 79</u>
TOTAL LIABILITIES AND NET ASSETS	<u>984 361 18</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GARFIELD
Bay County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2007

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	9 163 79	-	(9 163 79)
General government	89 131 03	16 102 54	(73 028 49)
Public safety	60 763 49	14 040 00	(46 723 49)
Public works	91 122 34	70 567 00	(20 555 34)
Culture and recreation	4 436 39	-	(4 436 39)
Interest on long-term debt	<u>17 779 09</u>	<u>-</u>	<u>(17 779 09)</u>
Total Governmental Activities	<u>272 396 13</u>	<u>100 709 54</u>	<u>(171 686 59)</u>
General Revenues:			
Property taxes			128 495 14
State revenue sharing			135 834 24
Interest			1 610 95
Miscellaneous			<u>14 156 66</u>
Total General Revenues			<u>280 096 99</u>
Change in net assets			108 410 40
Net assets, beginning of year			<u>500 901 39</u>
Net Assets, End of Year			<u>609 311 79</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GARFIELD
Bay County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS

March 31, 2007

	<u>General</u>	<u>Trash</u>	<u>Fire</u>	<u>Other Funds</u>
<u>Assets</u>				
Cash in bank	83 916 40	71 505 63	124 204 98	627 89
Taxes receivable	6 389 93	8 160 00	7 827 25	-
Due from other funds	<u>1 00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>90 307 33</u>	<u>79 665 63</u>	<u>132 032 23</u>	<u>627 89</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	<u>-</u>	<u>5 870 45</u>	<u>12 195 96</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>5 870 45</u>	<u>12 195 96</u>	<u>-</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>90 307 33</u>	<u>73 795 18</u>	<u>119 836 27</u>	<u>627 89</u>
Total fund equity	<u>90 307 33</u>	<u>73 795 18</u>	<u>119 836 27</u>	<u>627 89</u>
Total Liabilities and Fund Equity	<u>90 307 33</u>	<u>79 665 63</u>	<u>132 032 23</u>	<u>627 89</u>

The accompanying notes are an integral part of these financial statements.

Total

280 254 90
22 377 18
1 00

302 633 08

18 066 41
18 066 41

284 566 67
284 566 67

302 633 08

TOWNSHIP OF GARFIELD
Bay County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	284 566 67
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	833 672 70
Accumulated depreciation	(151 944 60)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Notes payable	(230 925 25)
Contracts payable	<u>(126 057 73)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>609 311 79</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GARFIELD
Bay County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2007

	<u>General</u>	<u>Trash</u>	<u>Fire</u>	<u>Other Funds</u>
Revenues:				
Property taxes	41 821 63	-	86 673 51	-
State revenue sharing	134 709 49	-	-	1 124 75
Charges for services – PTAF	13 602 54	-	-	-
Charges for services – other	2 500 00	-	-	-
Interest	1 262 53	112 73	235 22	47
Special assessments	14 040 00	70 567 00	-	-
Miscellaneous	10 759 50	-	3 397 16	-
Total revenues	<u>218 695 69</u>	<u>70 679 73</u>	<u>90 305 89</u>	<u>1 125 22</u>
Expenditures:				
Legislative:				
Township Board	9 163 79	-	-	-
General government:				
Supervisor	9 500 00	-	-	-
Elections	1 736 54	-	-	-
Assessor	6 039 00	-	-	-
Clerk	9 500 00	-	-	-
Board of Review	659 20	-	-	-
Treasurer	9 500 00	-	-	-
Building and grounds	6 918 40	-	-	-
Cemetery	5 750 00	-	-	-
Unallocated	36 182 49	-	-	-
Public safety:				
Liquor control	-	-	-	999 62
Fire services	-	-	37 900 79	-
Road patrol	1 426 04	-	-	-
Planning and zoning	1 740 00	-	-	-
Ambulance	1 785 00	-	-	-
Public works:				
Highways and streets	18 926 74	-	-	-
Street lights	2 186 09	-	-	-
Sanitation	-	68 027 80	-	-
Drains	1 981 71	-	-	-
Culture and recreation:				
Recreation	4 236 39	-	-	-
Capital outlay	-	-	47 618 70	-
Debt service	57 025 53	-	38 124 66	-
Total expenditures	<u>184 256 92</u>	<u>68 027 80</u>	<u>123 644 15</u>	<u>999 62</u>
Excess (deficiency) of revenues over expenditures	34 438 77	2 651 93	(33 338 26)	125 60
Fund balances, April 1	<u>55 868 56</u>	<u>71 143 25</u>	<u>153 174 53</u>	<u>502 29</u>
Fund Balances, March 31	<u>90 307 33</u>	<u>73 795 18</u>	<u>119 836 27</u>	<u>627 89</u>

The accompanying notes are an integral part of these financial statements.

<u>Total</u>
128 495 14
135 834 24
13 602 54
2 500 00
1 610 95
84 607 00
<u>14 156 66</u>
<u>380 806 53</u>

9 163 79
9 500 00
1 736 54
6 039 00
9 500 00
659 20
9 500 00
6 918 40
5 750 00
36 182 49
999 62
37 900 79
1 426 04
1 740 00
1 785 00
18 926 74
2 186 09
68 027 80
1 981 71
4 236 39
47 618 70
<u>95 150 19</u>
<u>376 928 49</u>

3 878 04
<u>280 688 63</u>
<u>284 566 67</u>

TOWNSHIP OF GARFIELD
Bay County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2007

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 3 878 04

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(20 457 44)
Capital Outlay	47 618 70

Repayment of debt principal is an expenditure in the governmental funds, the
repayment does not have an effect in the statement of activities but does
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	<u>77 371 10</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>108 410 40</u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GARFIELD
Bay County, Michigan
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Garfield, Bay County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Garfield. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF GARFIELD
Bay County, Michigan
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes are accrued in the year in which they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2006 tax roll millage rate was 3.6141 mills, and the taxable value was \$35,336,896.00.

TOWNSHIP OF GARFIELD
Bay County, Michigan
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	75-100 years
Furniture and equipment	10-50 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.

TOWNSHIP OF GARFIELD
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 2 – Budgets and Budgetary Accounting (continued)

6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>280 255 90</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	109 557 00
Uninsured and Uncollateralized	<u>180 249 90</u>
Total Deposits	<u>289 806 90</u>

The Township of Garfield did not have any investments as of March 31, 2007.

TOWNSHIP OF GARFIELD
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/07</u>
<u>Governmental Activities:</u>				
Land	105 500 00	-	-	105 500 00
Buildings	289 000 00	-	-	289 000 00
Equipment	<u>391 554 00</u>	<u>47 618 70</u>	<u>-</u>	<u>439 172 70</u>
Total	786 054 00	47 618 70	-	833 672 70
Accumulated Depreciation	<u>(131 487 16)</u>	<u>(20 457 44)</u>	<u>-</u>	<u>(151 944 60)</u>
Net Capital Assets	<u>654 566 84</u>	<u>27 161 26</u>	<u>-</u>	<u>681 728 10</u>

Note 5 – Pension Plan

The Township has a defined contribution pension plan covering all full time employees. The Township contributes an amount of each employee's annual salary to the plan. The net pension expense for the fiscal year ended March 31, 2007, was \$7,200.00.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Garfield does not issue building permits.

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>1 00</u>	Current Tax Collection	<u>1 00</u>
Total	<u>1 00</u>	Total	<u>1 00</u>

TOWNSHIP OF GARFIELD
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 10 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	Balance 4/1/06	Additions	Deductions	Balance 3/31/07
Note payable – fire truck	113 685 93	-	32 719 29	80 966 64
Note payable – hall	178 869 48	-	28 910 87	149 958 61
Contracts payable – roads	141 798 67	-	15 740 94	126 057 73
Total	<u>434 354 08</u>	<u>-</u>	<u>77 371 10</u>	<u>356 982 98</u>

Note 11 – Note Payable – Fire Truck

During the year 2000-2001, the Township acquired a fire truck tanker costing \$232,000.00. After a down-payment of \$25,000.00, the balance of \$207,000.00 was financed through Citizens Bank. The scheduled annual payments of \$28,124.66 are due on October 19 during each of the next ten years. The interest rate is 5% per annum. The principal balance outstanding on March 31, 2007, was \$80,966.64.

Note 12 – Note Payable – Hall

During the year 2000-2001, the Township built a Township Hall at a cost of approximately \$250,000.00. The hall was financed with a \$250,000.00 loan from Citizens Bank. The loan requires monthly payments of \$1,792.07 including interest at the rate of 4.375% per annum. The principal balance outstanding on March 31, 2007, was \$149,958.61.

Note 13 – Contracts Payable – Roads

The Township of Garfield entered into several contracts with the Bay County Road Commission to finance various road improvements. The contracts require annual payments in varying amounts. As of March 31, 2007, the principal balance on these contracts payable was \$126,057.73.

TOWNSHIP OF GARFIELD
Bay County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	47 546 89	47 546 89	41 821 63	(5 725 26)
State revenue sharing	131 800 00	131 800 00	134 709 49	2 909 49
Charges for services:				
Property tax administration	-	-	13 602 54	13 602 54
Other	2 000 00	2 000 00	2 500 00	500 00
Interest	600 00	600 00	1 262 53	662 53
Special assessments	-	-	14 040 00	14 040 00
Miscellaneous	5 200 00	5 200 00	10 759 50	5 559 50
Total revenues	<u>187 146 89</u>	<u>187 146 89</u>	<u>218 695 69</u>	<u>31 548 80</u>
Expenditures:				
Legislative:				
Township Board	9 100 00	9 307 00	9 163 79	(143 21)
General government:				
Supervisor	9 500 00	9 500 00	9 500 00	-
Elections	500 00	1 736 54	1 736 54	-
Assessor	6 100 00	6 100 00	6 039 00	(61 00)
Clerk	9 500 00	9 500 00	9 500 00	-
Board of Review	800 00	800 00	659 20	(140 80)
Treasurer	9 500 00	9 500 00	9 500 00	-
Building and grounds	7 340 00	7 148 00	6 918 40	(229 60)
Cemetery	5 600 00	5 750 00	5 750 00	-
Unallocated	40 964 00	41 423 46	36 182 49	(5 240 97)
Public safety:				
Road patrol	1 000 00	1 510 00	1 426 04	(83 96)
Planning and zoning	2 200 00	1 750 00	1 740 00	(10 00)
Ambulance	1 785 00	1 785 00	1 785 00	-
Public works:				
Highways and streets	20 922 00	19 000 00	18 926 74	(73 26)
Street lights	2 000 00	2 187 00	2 186 09	(91)
Drains	1 681 00	1 982 00	1 981 71	(29)
Culture and recreation:				
Recreation	5 000 00	4 290 00	4 236 39	(53 61)
Debt service	56 952 72	57 175 72	57 025 53	(150 19)
Total expenditures	<u>190 444 72</u>	<u>190 444 72</u>	<u>184 256 92</u>	<u>(6 187 80)</u>
Excess (deficiency) of revenues over expenditures	(3 297 83)	(3 297 83)	34 438 77	37 736 60
Fund balance, April 1	<u>3 297 83</u>	<u>3 297 83</u>	<u>55 868 56</u>	<u>52 570 73</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>90 307 33</u>	<u>90 307 33</u>

TOWNSHIP OF GARFIELD
Bay County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND
Year ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	75 250 84	75 250 84	86 673 51	11 422 67
Interest	240 00	240 00	235 22	(4 78)
Miscellaneous	<u>-</u>	<u>-</u>	<u>3 397 16</u>	<u>3 397 16</u>
Total revenues	<u>75 490 84</u>	<u>75 490 84</u>	<u>90 305 89</u>	<u>14 815 05</u>
Expenditures:				
Public safety:				
Fire	38 013 28	38 013 28	37 900 79	(112 49)
Capital outlay	56 742 17	56 742 17	47 618 70	(9 123 47)
Debt service	<u>39 968 48</u>	<u>39 968 48</u>	<u>38 124 66</u>	<u>(1 843 82)</u>
Total expenditures	<u>134 723 93</u>	<u>134 723 93</u>	<u>123 644 15</u>	<u>(11 079 78)</u>
Excess (deficiency) of revenues over expenditures	(59 233 09)	(59 233 09)	(33 338 26)	25 894 83
Fund balance, April 1	<u>71 076 91</u>	<u>71 076 91</u>	<u>153 174 53</u>	<u>82 097 62</u>
Fund Balance, March 31	<u>11 843 82</u>	<u>11 843 82</u>	<u>119 836 27</u>	<u>107 992 45</u>

TOWNSHIP OF GARFIELD
Bay County, Michigan

BUDGETARY COMPARISON SCHEDULE – TRASH FUND
Year ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Special assessments	69 717 00	69 717 00	70 567 00	850 00
Interest	<u>102 04</u>	<u>102 04</u>	<u>112 73</u>	<u>10 69</u>
Total revenues	<u>69 819 04</u>	<u>69 819 04</u>	<u>70 679 73</u>	<u>860 69</u>
Expenditures:				
Public works:				
Sanitation	<u>76 842 19</u>	<u>76 842 19</u>	<u>68 027 80</u>	<u>(8 814 39)</u>
Total expenditures	<u>76 842 19</u>	<u>76 842 19</u>	<u>68 027 80</u>	<u>(8 814 39)</u>
Excess (deficiency) of revenues over expenditures	(7 023 15)	(7 023 15)	2 651 93	9 675 08
Fund balance, April 1	<u>7 023 15</u>	<u>7 023 15</u>	<u>71 143 25</u>	<u>64 120 10</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>73 795 18</u>	<u>73 795 18</u>

TOWNSHIP OF GARFIELD

Bay County, Michigan

COMBINING BALANCE SHEET -- ALL SPECIAL REVENUE FUNDS

March 31, 2007

	<u>Liquor</u>	<u>Fire</u>	<u>Trash</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	627 89	124 204 98	71 505 63	196 338 50
Taxes receivable	<u>-</u>	<u>7 827 25</u>	<u>8 160 00</u>	<u>15 987 25</u>
Total Assets	<u>627 89</u>	<u>132 032 23</u>	<u>79 665 63</u>	<u>212 325 75</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	<u>-</u>	<u>12 195 96</u>	<u>5 870 45</u>	<u>18 066 41</u>
Total liabilities	<u>-</u>	<u>12 195 96</u>	<u>5 870 45</u>	<u>18 066 41</u>
Fund balances:				
Unreserved:				
Undesignated	<u>627 89</u>	<u>119 836 27</u>	<u>73 795 18</u>	<u>194 259 34</u>
Total fund balances	<u>627 89</u>	<u>119 836 27</u>	<u>73 795 18</u>	<u>194 259 34</u>
Total Liabilities and Fund Balances	<u>627 89</u>	<u>132 032 23</u>	<u>79 665 63</u>	<u>212 325 75</u>

TOWNSHIP OF GARFIELD
Bay County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
ALL SPECIAL REVENUE FUNDS
Year ended March 31, 2007

	<u>Liquor</u>	<u>Fire</u>	<u>Trash</u>	<u>Total</u>
Revenues:				
Property taxes	-	86 673 51	-	86 673 51
Special assessments	-	-	70 567 00	70 567 00
State revenue sharing	1 124 75	-	-	1 124 75
Interest	47	235 22	112 73	348 42
Miscellaneous	-	3 397 16	-	3 397 16
Total revenues	<u>1 125 22</u>	<u>90 305 89</u>	<u>70 679 73</u>	<u>162 110 84</u>
Expenditures:				
Public safety:				
Liquor control	999 62	-	-	999 62
Fire services	-	37 900 79	-	37 900 79
Public works:				
Sanitation	-	-	68 027 80	68 027 80
Capital outlay	-	47 618 70	-	47 618 70
Debt service	-	38 124 66	-	38 124 66
Total expenditures	<u>999 62</u>	<u>123 644 15</u>	<u>68 027 80</u>	<u>192 671 57</u>
Excess (deficiency) of revenues over expenditures	125 60	(33 338 26)	2 651 93	(30 560 73)
Fund balances, April 1	<u>502 29</u>	<u>153 174 53</u>	<u>71 143 25</u>	<u>224 820 07</u>
Fund Balances, March 31	<u>627 89</u>	<u>119 836 27</u>	<u>73 795 18</u>	<u>194 259 34</u>

TOWNSHIP OF GARFIELD
Bay County, Michigan

CURRENT TAX COLLECTION FUND STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2007

	<u>Balance 4/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/07</u>
<u>Assets</u>				
Cash in Bank	<u>1.00</u>	<u>1,009,989.71</u>	<u>1,009,989.71</u>	<u>1.00</u>
<u>Liabilities</u>				
Due to other funds	1.00	204,661.25	204,661.25	1.00
Due to others	<u>-</u>	<u>805,328.46</u>	<u>805,328.46</u>	<u>-</u>
Total Liabilities	<u>1.00</u>	<u>1,009,989.71</u>	<u>1,009,989.71</u>	<u>1.00</u>

TOWNSHIP OF GARFIELD
Bay County, Michigan
CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2007

Cash on hand and in bank -- beginning of year	<u>1 00</u>
Cash receipts:	
Property taxes and assessments	999 923 86
Property tax administration	9 957 03
Interest	<u>108 82</u>
Total cash receipts	<u>1 009 989 71</u>
Total beginning balance and cash receipts	<u>1 009 990 71</u>
Cash disbursements:	
Township General Fund	63 594 99
Township Trash Fund	62 220 00
Township Fire Fund	78 846 26
Bay Metro	24 070 92
Bay County	499 017 31
Bay Arenac Intermediate School District	158 806 98
Pinconning Area Schools	56 605 12
Delta College	65 890 95
Refunds	<u>937 18</u>
Total cash disbursements	<u>1 009 989 71</u>
Cash on Hand and in Bank -- End of Year	<u>1 00</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

April 26, 2007

To the Township Board
Township of Garfield
Bay County, Michigan

We have audited the financial statements of the Township of Garfield for the year ended March 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Garfield in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Garfield
Bay County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2007.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,


CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants